

Message Text

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PAGE 01 GENEVA 09824 01 OF 02 281708Z
ACTION STR-07

INFO OCT-01 NEA-11 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 ARA-10 EA-10 EUR-12 OIC-02
JUSE-00 /169 W

-----069814 281723Z /72

P 281641Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1437
INFO AMEMBASSY TEL AVIV

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 09824

USMTN
ACTION STR PASS ELECTRICALLY FOR LANDE
STR PASS CODEL

E.O.11652:N/A
TAGS: MTN, ETRD, IS
SUBJECT: MTN: CONSULTATIONS WITH ISRAELI TRADE TEAM IN
JERUSALEM

REF: STATE 158317

1. SUMMARY. AS NOTED IN REFTL, U.S. DEL HEADED BY
ASSISTANT STR LANDE MET WITH LARGE ISRAELI DEL HEADED BY
COHEN, ASSISTANT DG FOR TRADE IN MINISTRY OF INDUSTRY,
TRADE AND TOURISM, FOR TOUR D'HORIZON OF MTN, INCLUDING
DETAILED DISCUSSION OF BILATERAL REQUESTS/OFFERS. ISRAELI
DEL VOLUNTEERED COPY OF UNCLEARED PRODUCT-SPECIFIC OFFER
(TARIFFS AND NTM'S) AND PROMISED THAT OFFER WOULD BE
FORMALLY TABLED IN GENEVA EARLY IN JULY. ISRAEL EXPRESSED
KEEN INTEREST IN NTM CODES, ESPECIALLY SUBSIDIES/COUNTER-
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PAGE 02 GENEVA 09824 01 OF 02 281708Z

VAI, VALUATION, AND STANDARDS, AND CLEARLY SIGNALLED DESIRE
TO JOIN ARRANGEMENTS IF CODES ACCOMMODATE SPECIAL NEEDS OF
LDC'S. END SUMMARY.

2. FACED INITIALLY BY ISRAELI POSITION THAT DISCUSSION OF
ISRAELI MTN CONTRIBUTIONS WOULD NOT BE POSSIBLE UNTIL U.S.
DEL RESPONDED TO GOI PROPOSALS FOR MODIFICATION OF GSP

UNDERSTANDING, U.S. DEL WAS SUCCESSFUL IN DELINKING THESE ISSUES AND OBTAINING COPY OF UNCLEARED, PRODUCT-SPECIFIC OFFER (HANDCARRIED WASHINGTON BY LANDE). COHEN WAS OPTIMISTIC THAT CURRENT DRAFT OFFER WOULD RECEIVE GOI INTERAGENCY CLEARANCE FOR TABLING IN GENEVA EARLY IN JULY. (COHEN WILL BE IN GENEVA FOR SEVERAL DAYS BEGINNING JULY 5.) DRAFT OFFER IS COMPREHENSIVE (AGRICULTURAL AND INDUSTRIAL PRODUCTS; TARIFFS AND NTM'S), AND COVERS APPROXIMATELY 80 ITEMS OF U.S. INTEREST. SEVERAL PRODUCTS WOULD RECEIVE BOTH TARIFF CUTS AND LIBERALIZATION OF IMPORT REGIME. REDUCTIONS AVERAGE 20 PERCENT (ISRAELI CALCULATION), BUT INDIVIDUAL CUTS RANGE UP TO 50 PERCENT.

3. U.S. DEL ASKED WHETHER ISRAELI TARIFF REDUCTIONS COULD BE BOUND WITHOUT CREATING LEGAL OBLIGATION FOR ISRAEL, UNDER TERMS OF EC/ISRAELI AGREEMENT, TO GRANT PREFERENCES TO EC ON NEWLY BOUND ITEMS. ISRAELI DEL CONFIRMED THAT PARTIES TO AGREEMENT HAD JOINTLY DECLARED THAT NEW BOUND DUTY LEVELS RESULTING FROM MTN AGREEMENTS WOULD BECOME NEW BASE RATES FOR CALCULATING PREFERENTIAL MARGINS, BUT STATED THAT ISRAELI LAWYERS HAD BEEN STUDYING TWO FORMULATIONS THAT WOULD ALLOW ISRAEL TO CIRCUMVENT JOINT DECLARATION WHILE ESTABLISHING FIRM MFN OBLIGATIONS. ISRAELI DEL HOPED TO BE ABLE TO DISCUSS THESE FORMULATIONS WITH MTN DEL IN NEAR FUTURE. ON RELATED PROBLEM OF STATUS OF SPECIFIC AND COMPOUND DUTIES IN ISRAELI GATT SCHEDULE, LIMITED OFFICIAL USE

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PAGE 03 GENEVA 09824 01 OF 02 281708Z

WE WERE TOLD THAT ISRAEL WOULD RESERVE THE RIGHT TO ADJUST MTN-BOUND SPECIFIC RATES TO REFLECT CHANGES IN THE (FLOATING) RATE-OF-EXCHANGE FOR ISRAELI CURRENCY. THIS RESERVE WOULD BE INCORPORATED IN THE SCHEDULE OF CONCESSIONS, THEREBY FREEING ISRAEL'S HAND TO ADJUST CERTAIN SPECIFIC DUTIES REGARDLESS OF THE RECOMMENDATION OF THE GATT PANEL STUDYING THE QUESTION OF FLOATING EXCHANGE RATES AND GATT ARTICLE II.

4. IN RESPONSE TO U.S. DEL REVIEW OF EXTREMELY GENEROUS OFFER TO ISRAEL (62 PERCENT WEIGHTED DEPTH-OF-CUT ON INDUSTRIAL PRODUCTS), ISRAELI DEL INITIALLY MADE EFFORT TO DISCOUNT OFFER BECAUSE OF EROSION OF GSP ON MANY ITEMS BUT MOVED QUICKLY INTO A POSTURE OF SEEKING MAXIMUM MFN LIBERALIZATION. ISRAELI DEL EXPRESSED SERIOUS CONCERNS OVER FACT THAT U.S. WAS CONSIDERING WITHDRAWAL OF GREATER-THAN-FORMULA (GTF) REDUCTIONS ON ITEMS WHERE EC IS PRINCIPAL (OR SUBSTANTIAL) SUPPLIER. CUT DIAMONDS IS MOST CRITICAL PRODUCT FALLING IN THIS CATEGORY, BUT ISRAEL ALSO CITED HIGH-TECHNOLOGY GOODS AND LIGHT AIRCRAFT AS AREAS WHERE FALL-OUT BENEFITS OF GTF CUTS COULD BE OF SIGNIFICANCE.

5. ON U.S. AGRICULTURAL OFFERS, ISRAELI DEL LAMENTED OUR ADHERENCE TO PRINCIPAL SUPPLIER RULE, EXPLAINING THAT ISRAELI AGRICULTURAL PRODUCTION WAS MUCH MORE DIVERSIFIED NOW THAN IN 1976, AS WAS REFLECTED IN ISRAELI REQUESTS (E.G. CUT FLOWERS). U.S. DEL EXPLAINED THAT WE WERE WILLING TO IGNORE THE PRINCIPAL SUPPLIER STANDARD IF A STRONG CASE WAS MADE BY A SMALLER SUPPLIER AND IF THE PRINCIPAL SUPPLIER WAS NOT LIKELY TO REGISTER MAJOR TRADE GAINS FROM REDUCTION OF THE DUTY. U.S. DEL BRIEFLY COMMENTED ON SPECIFIC ISRAELI AGRICULTURAL REQUESTS, INDICATING THE LIKELIHOOD OF OFFER ON DRIED ONIONS (TSUS 140.40). OTHER REQUEST ITEMS, SUCH AS HONEY AND CUT FLOWERS, WERE UNLIKELY CANDIDATES FOR U.S. IMPROVEMENTS LIMITED OFFICIAL USE

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PAGE 04 GENEVA 09824 01 OF 02 281708Z

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PAGE 01 GENEVA 09824 02 OF 02 281708Z
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FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 1438

INFO AMEMBASSY TEL AVIV

LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 09824

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DUE TO EXTREME DOMESTIC SENSITIVITY. WE ALSO ADVISED

ISRAELI DEL THAT IF THEIR INTEREST IN CHEESE (I.E. ABOLITION OF QUOTAS) WAS SERIOUS, A DETAILED AND WELL-DOCUMENTED REQUEST WOULD HAVE TO BE SUBMITTED VERY SOON.

6. ISRAELI DEL STATED THAT IT WOULD EXPECT U.S. TO COUNT GOI ADHERENCE TO NTM CODES AS MAJOR ISRAELI CONTRIBUTION TO MTN. ISRAEL HAD FOR SOMETIME LOOKED FORWARD TO BECOMING A SIGNATORY OF THESE AGREEMENTS AND WAS THEREFORE FRUSTRATED BY RECENT "CLOSED CLUB" APPROACH TO DRAFTING OF TEXTS. THEY ASKED FOR OPPORTUNITY TO HAVE A LARGER INPUT INTO THE DRAFT TEXTS BEING DEVELOPED, ESPECIALLY THOSE ON SUBSIDIES/CVD (CONTENT OF PROHIBITED SUBSIDIES LIST AND DEFINITION OF WHAT IS PERMISSIBLE ON REGIONAL AIDS); CUSTOMS VALUATION (PROVISIONS GIVING IMPORTING COUNTRY MEANS OF DISCOURAGING "SWEETHEART" ARRANGEMENTS LIMITED OFFICIAL USE

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PAGE 02 GENEVA 09824 02 OF 02 281708Z

BETWEEN EXPORTERS AND IMPORTERS); AND SAFEGUARDS (SELECTIVITY). U.S. DEL REPLIED THAT IF ISRAEL ACCEPTED MEANINGFUL OBLIGATIONS UNDER THE CODES MENTIONED, WE WERE AMENABLE TO CONSIDERING THIS A CONTRIBUTION. WE DEFENDED RECENT DRAFTING APPROACH AS NECESSARY TO MOVE NEGOTIATIONS FORWARD BUT ASSURED ISRAEL THERE WOULD STILL BE OPPORTUNITY FOR LDC'S TO HAVE INPUT BEFORE TEXTS ARE FINALIZED.

7. COMMENT. THE DISCUSSIONS IN ISRAEL WENT EXCEEDINGLY WELL AND SET A FIRM FOUNDATION FOR IN-DEPTH DISCUSSIONS WITH COHEN, GRUBER, ELLENBURG, AND OTHERS IN GENEVA ON JULY 5. END COMMENT.

8. DRAFTED BY MARSH. MCDONALD

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